

BY ELECTRONIC SUBMISSION

August 23, 2002

Docket Section
National Highway Traffic Safety Administration
400 Seventh Street, S.W.
Washington, DC 20590

Re: 49 CFR Part 541
[Docket No. NHTSA-2002-12231]
RIN 2127-A146
Notice of Proposed Rulemaking: Federal Motor
Vehicle Theft Prevention Standard

The Alliance of American Insurers, the American Insurance Association, the National Association of Independent Insurers and the National Association of Mutual Insurance Companies represent virtually the entire U.S. private passenger automobile insurance industry. The companies represented by our associations have long been involved in efforts to combat vehicle theft. The industry began funding these efforts in 1912, and over the years has partnered with federal, state and local law enforcement officials many times in these efforts. The industry founded the National Auto Theft Bureau (NATB), now known as the National Insurance Crime Bureau (NICB). NICB develops anti-theft databases and helps train law enforcement and industry executives to investigate and prosecute vehicle-theft cases. Today, the NICB maintains the largest repository of stolen vehicle related information in the world, and it is used constantly by law enforcement agencies and insurers to fight crime. The industry has also been involved in many federal and state legislative coalitions seeking stronger laws and better law enforcement tools to assist in these efforts that ultimately benefit our customers and society at large. The industry is strongly committed to effective crime-fighting efforts and stands ready to assist law enforcement agencies.

Law enforcement initially proposed legislation to fight auto theft by requiring universal and permanent numbering of auto parts in the early 1980's, and Congress enacted the Motor Vehicle Law Enforcement Act of 1984, which established a parts marking requirement for high-theft vehicle lines. According to law enforcement authorities, parts numbering would provide a valuable tool in auto theft investigations and prosecutions, and it would deter professional thieves by making it more difficult for them to sell stolen vehicles and parts.

The insurance industry at that time supported the efforts of law enforcement officials to bring new tools to the fight against auto theft, but the industry was disappointed that the final legislation failed to require universal and permanent parts numbering. Since the parts numbering program would not cover every vehicle and the numbering of those vehicle parts covered would not result in permanent marking, the value of the program as a law enforcement tool and a deterrent to potential thieves was questionable. In addition, while parts marking is a tool to assist law enforcement with the identification of parts from stolen vehicles, it does not necessarily deter thieves from stealing vehicles in the first place.

Since enactment of the 1984 law, the effectiveness of the parts numbering program has not yet been convincingly validated by statistical studies. Given the poor results thus far and the issues involving the lack of permanence of the current parts numbering process, expanding the program raises many concerns. For example, there are many issues relating to permanence. The current parts numbering methods being used by manufacturers have very little value if the numbers can be removed without leaving a trace. The industry recommends that the National Highway Traffic Safety Administration (NHTSA) re-examine the label marking process and consider new technology now in the marketplace that could expand the number of parts marked without increasing costs. Although this technology is not a permanent process, removal of its markings from all parts is virtually impossible. Using a full stamping or etching procedure, while preferable, may be much more expensive than the current \$24.86 per vehicle cost limit for parts marking.

Congress attempted to address some of the concerns raised about the parts marking program when it approved the 1992 Anti-Car Theft Act amendments. NHTSA is attempting to implement that law in the current rulemaking proceeding. However, we believe that the end result of this rulemaking will still not produce the maximum benefits of universal and permanent parts numbering as initially envisioned by the law enforcement community. The difficulties NHTSA and the Department of Justice are having in documenting any significant benefits of the current parts marking program is likely due primarily to the failure to adopt the original concept of universal and permanent parts numbering in the first place.

In the meantime, technological advances and changes in patterns of criminal behavior have caused many interested parties to reevaluate priorities in the fight against auto theft. Technology has now advanced to the point where new anti-theft devices that many manufacturers add as standard equipment to certain vehicle lines are capable of stopping thieves cold in most cases. The best deterrent developed so far may well be the "smart key" system used by some manufacturers. At this point, it may be useful to examine incentives that would result in more widespread installation of anti-theft devices.

At the same time, the auto theft export problem has increased significantly. In addition to stealing vehicles to dismantle them so their parts can be sold individually, many thieves now steal vehicles in order to load them into containers and ship them overseas to be sold. A critical element to stopping auto theft and the illegal flow of vehicles and parts is to prevent stolen vehicles from leaving U.S. ports. The recovery rate for stolen vehicles has dropped to 62 percent, and too many vehicles are leaving the country (whether parts are marked or not) and being sold in several illicit markets in foreign countries. The NICB estimates that 200,000 stolen motor vehicles are exported out of the United States annually, resulting in losses of over 1.3 billion dollars.

During the course of reevaluating this program, the industry has also taken another look at insurer reporting requirements. The insurance industry opposed these provisions at the time that they were considered because of the belief that they were unnecessary, and there is no reason to continue them. The insurance reporting requirements have high compliance costs, and they are not necessary or particularly helpful in assessing the benefits of the parts marking program, especially inasmuch as the initial concept of universal and permanent parts numbering was not followed.

In conclusion, the undersigned organizations believe that in order for parts marking to truly be an effective tool for law enforcement, the requirements should be universal, and the

markings should be permanent. However, due to technological and market changes that have occurred since the 1984 law and the 1992 amendments, the industry urges the Federal Government to look at alternative solutions that could be more effective in the fight against auto theft. Recommendations include considering incentives to encourage more widespread use of antitheft devices and providing the Federal Bureau of Investigation and the Customs service the tools they need to prevent vehicles from being shipped out of the country.

Sincerely,

Alliance of American Insurers
American Insurance Association
National Association of Independent Insurers
National Association of Mutual Insurance Companies
National Insurance Crime Bureau

The contact person(s) for these comments are:

Ken Schloman
Washington Counsel
Alliance of American Insurers
1211 Connecticut Avenue, N.W.
Suite 400
Washington, DC 20036
(202)822-8811 FAX: (202)872-1885
kschloman@allianceai.org

Melissa W. Shelk
Vice President – Federal Affairs
American Insurance Association
1130 Connecticut Avenue, N.W.
Suite 1000
Washington, DC 20036
(202)828-7119 FAX: (202)293-1219
mshelk@aiadc.org

Charles Taylor
Assistant Vice President – Government Relations
National Association of Independent Insurers
444 North Capitol Street, N.W.
Suite 801
Washington, DC 20001
(202)639-0497 FAX: (202)639-0494
charles.taylor@naii.org

Jennifer C. Gibson
Director – Federal Affairs
National Association of Mutual Insurance Companies
122 C Street, N.W.
Suite 540

Washington, DC 20001
(202)628-1558 FAX: (202)628-1601
jgibson@namic.org

David A. De Young
Director of Government Affairs
National Insurance Crime Bureau
10330 South Roberts Road
Palos Hills, IL 60465
(708)237-5376 FAX: (708)430-9588
ddeyoung@nicb.org